

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

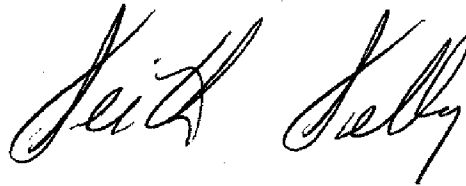
Notice FLP-52

1901-A, 1951-S, 1962-A

For: State and County Offices

Delegating Loan Approval and Servicing Authorities to FSA Employees

Approved by: Administrator



1 Overview

A

Background

The decision to approve or reject a loan request has broad implications for FSA and the loan applicant. These decisions affect applicants' lives and impact Agency risk exposure and achievement of program objectives.

Delegation of authority to an employee without adequate training and experience places the employee at risk of violating regulations and statutes. Improper approval or rejection of a loan or servicing request can have a devastating effect on applicants and borrowers, and result in significant loss or misuse of scarce Federal financial resources.

Approving loans and taking servicing actions must be delegated to employees who meet experience and training requirements according to this notice.

This notice extends requirements for delegating loan approval and servicing authorities to FSA employees.

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Disposal Date

April 1, 2000

Distribution

State Offices; State Offices relay to County
Offices

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1 Overview (Continued)

B

Purpose

This notice provides criteria:

- for granting loan approval and servicing authority to employees who have received authority before October 1, 1995
 - that must be met for those individuals who received authority between October 1, 1995, and September 23, 1997, to continue to approve and service loans
 - that must be met to receive approval authority after September 23, 1997.
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C

Applicability

This notice applies to the following:

- direct farm ownership and operating loans
 - emergency loans
 - guaranteed farm ownership and operating loans
 - servicing actions under FmHA Instruction 1951-S for all loan types
 - servicing actions on guaranteed loans
 - subordinations, partial releases, and consents.
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D

Contact

State Offices may direct questions to LMD.

2 SED Action

A

Those Having Authority on or Before October 1, 1995

Employees who had approval authority on or before October 1, 1995, will continue to have the same approval authority, unless otherwise revoked by SED, according to FmHA Instruction 1901-A.

Notes: This includes former Ag Credit Managers who had approval authority and who became CED's **before** September 23, 1997.

Farm Loan Manager's (FLM's) who became CED's **after** September 23, 1997, may **not** retain loan approval authorities.

Continued on the next page

2 SED Action (Continued)

B

**Those Given
Authority
Between
October 1, 1995,
and
September 23,
1997**

DD's, CED's, and State Office Specialist's who received loan approval or servicing authority between October 1, 1995, and September 23, 1997, shall fulfill the following criteria. SED's shall suspend the approval authority of those employees not completing this criteria. This authority may not be reinstated until all aspects of the criteria have been successfully completed. Individuals who successfully completed the FmHA Assistant County Supervisor Program training in St. Louis will be exempt from meeting the first 2 criteria that follow.

- Must have successfully completed a Credit and Financial Analysis Training (CFAT) course developed by the National Office.
- Must have passed the comprehensive test developed by the National Office.
- DD's and State Office Specialists must submit 3 independently prepared loan dockets, and 4 independently completed docket reviews which meet a credit quality level set by SED and the Farm Loan Programs Chief (FLPC). The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans. This does not include youth loans.
- CED's must submit a minimum of 5 loan dockets, which meet a credit quality level set by SED and FLPC. The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans. Youth loans do not count toward the 5-docket requirement.

Note: FLPC's will continue to monitor the loan making and servicing activity of these employees to ensure that loan making and servicing actions meet State credit quality standards.

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2 SED Action (Continued)

C

Farm Loan Officers (FLO's) and FLM's Hired Before July 2, 1997

To receive or maintain loan approval authority, Federal and non-Federal FLO's and FLM's who were hired between October 1, 1995, and July 2, 1997, but are not part of the 300 new training positions authorized by Notice PM-1967, must meet the following criteria:

- attend a week long orientation training session conducted by the National Office, met exceptions stated above, or have received a waiver for attendance from the National Office
- successfully complete the CFAT course
- pass the 4 program area tests that are part of the Farm Loan Officer Training (FLOT) 34 module training package
- pass the final credit test developed by the National Office
- submit a minimum of 5 loan dockets, which meet a credit quality level set by SED and FLPC. The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans. Youth loans do not count toward the 5 docket requirement.

Once these conditions are met, approval authority may then be granted. FLPC's will continue to monitor the loan making and servicing activity of these employees to ensure that loan making and servicing actions meet State credit quality standards.

D

Receiving Approval Authority After September 23, 1997

To receive authority after the date of this notice:

- employees selected for Federal FLO positions and other Federal employees, including DD's and State Office Specialists must:
 - complete the formal FLO training program developed by the National Office

Note: The FLO training course is designed to combine classroom type training and hands-on experience, generally within a 1-year period. FLO trainee or other Federal employee will work under the guidance of an experienced loan approval official.

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2 SED Action (Continued)

D

Receiving Approval Authority After September 23, 1997 (Continued)

- successfully complete the CFAT course that is part of the formal FLO training
- pass the final comprehensive test developed by the National Office.
- FLM's and FLO's must have submitted a minimum of 5 independently prepared loan dockets, which meet a credit quality level set by SED and FLPC. The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans. This does not include youth loans.
- DD's and State Office Specialists must submit 3 independently prepared loan dockets, and 4 independently completed docket reviews which meet a credit quality level set by SED and FLPC. The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans. This does not include youth loans.

Note: If an employee does not successfully meet these criteria, directions contained in Notice FLP-33 shall be followed. **FLO's hired as county employees after July 2, 1997, must meet all of the requirements in this subparagraph; however, loan approval authority will not be delegated.**

E

Establishing Credit Quality Review Process

SED shall work with FLPC to establish the method for completing ongoing credit quality post reviews. As a minimum, this review will follow the National Internal Review (NIR) credit quality standards and any additional standards established by SED and FLPC. These reviews will establish the maintenance of loan approval authority. An acceptable level of performance by the loan approval official will be a score of at least 90 percent compliance based on the applicable NIR questions.

Note: SED should take into consideration available staff and resources when developing the review process. All individuals completing credit quality reviews must have loan approval authority and a good background in loan making and servicing. SED and FLPC may consider establishing a credit quality team in the State Office or using existing underwriting staffs, if resources are available. They may also want to consider establishing the process on a district or FLP Team basis.

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3 Other Authority

A

Routine Correspondence, Releases, Continuation Statements, Chattel Appraisals, and Inspections

The authority to sign routine correspondence, approve releases, sign continuation statements, conduct chattel appraisals, and inspections, etc., are not altered by this notice.

Approval Official may continue to delegate authority for these purposes according to FmHA Instruction 1962-A, section 1962.3(a).

SED and FLPC may establish policies to delegate authorities to the maximum extent possible consistent with individual program requirements. These delegations must be given in writing and may be extended to any employee determined by them to be qualified. This includes, but is not limited to, FLO's, Program Assistants, County Office Technicians, CED's, DD's, etc.

B

Authority to Service Direct and Guaranteed Loans

In addition, CED's may be given authority to service direct and guaranteed loans as stated in Notice AO-1164. To receive this authority, CED's must complete the FLO training modules on loan making and servicing and submit 2 loan servicing dockets that meet a credit quality level set by SED and FLPC.

Once these requirements have been met, loan servicing authority may be granted.
